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**Florida Housing Finance Corporation**  
**Credit Underwriting Report**  
**Gulf Breeze Apartments**  
**2005-319HR**

**Section A: Board Summary**

**Section B: Rental Recovery Loan Program Conditions**

**Section C: Supporting Information and Schedules**

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**Prepared by**

**First Housing Development Corporation of Florida**

**Final Report**

**May 25, 2007**

**Gulf Breeze Apartments**

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**Section A**  
**Board Summary**

**Recommendation**

First Housing recommends a Rental Recovery Loan Program (“RRLP”) base loan in the amount of **\$1,000,000** and an RRLP supplemental loan in the amount of **\$1,300,000**, for a total RRLP loan amount of **\$2,300,000** be awarded to this development for its construction and permanent financing.

<b>DEVELOPMENT &amp; SET-ASIDES</b>																									
Location	730 Hazel Street Punta Gorda, Charlotte County, Florida 33950																								
Number of Units/Unit Mix	<table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Bedrooms</th> <th>Baths</th> <th>No. of Units</th> <th>Unit Size (SF)</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">1</td> <td style="text-align: center;">1</td> <td style="text-align: center;">56</td> <td style="text-align: center;">728</td> </tr> <tr> <td style="text-align: center;">2</td> <td style="text-align: center;">1.5 - 1.75</td> <td style="text-align: center;">75</td> <td style="text-align: center;">1,115 - 1,306</td> </tr> <tr> <td style="text-align: center;">3</td> <td style="text-align: center;">1.5 - 1.75</td> <td style="text-align: center;">36</td> <td style="text-align: center;">1,307 - 1,325</td> </tr> <tr> <td style="text-align: center;">4</td> <td style="text-align: center;">2.25</td> <td style="text-align: center;">4</td> <td style="text-align: center;">1,471</td> </tr> <tr> <td style="text-align: center;"><b>Total Units</b></td> <td></td> <td style="text-align: center;"><b>171</b></td> <td></td> </tr> </tbody> </table> <p>Note: The unit mix has been confirmed with the Architect and incorporates the following definitions:</p> <p>1 bath – bathroom with tub                      0.5 bath – bath with no tub and no shower                      0.75 bath – bath with shower stall but no tub                      The 2.25 bath units contain 1 bath plus 0.5 bath plus 0.75 bath in each unit</p>	Bedrooms	Baths	No. of Units	Unit Size (SF)	1	1	56	728	2	1.5 - 1.75	75	1,115 - 1,306	3	1.5 - 1.75	36	1,307 - 1,325	4	2.25	4	1,471	<b>Total Units</b>		<b>171</b>	
Bedrooms	Baths	No. of Units	Unit Size (SF)																						
1	1	56	728																						
2	1.5 - 1.75	75	1,115 - 1,306																						
3	1.5 - 1.75	36	1,307 - 1,325																						
4	2.25	4	1,471																						
<b>Total Units</b>		<b>171</b>																							
Demographic Commitment	Family – Development will serve the general population																								
Set Asides	40% @ or below 60% AMI (Bonds) 15% (26 units) @ 40% AMI (RRLP) 83% (142 units) @ 60% AMI (RRLP) 98% (168 units) @ or below 60% AMI (HCs) 2% (3 units) Market Rent																								
Additional Set Asides	85 of the total 168 set aside units will be designated as public housing units by the Punta Gorda Housing Authority and will be eligible to receive subsidy payments under an Annual Contributions Contract																								
Set Aside Term	The Qualified Project Period (“QPP”) begins on the 1 <sup>st</sup> day which 10% of the units are occupied, and continues until the later of: (i) 15 years after the date on which 50% of the units are first occupied, (ii) the 1 <sup>st</sup> day on which no tax-exempt bonds issued with respect to the project are outstanding or (iii) the date on which assistance under section 8 of the U.S. Housing Act of 1937 terminates. (Bonds) 50 Years (RRLP) 50 years (HCs)																								

County Size	Medium
Development Type	New Construction
Occupancy Rate	N/A
Parking	The subject is proposed to have 249 parking spaces, or 1.5 spaces per unit which is in compliance with the City's requirements.
Improvements	Forty-nine (49) two- and three-story triplex, quadruplex and townhouse buildings with stair access. Common area amenities will include clubhouse, exercise room, leasing/management offices, offices for the Punta Gorda Housing Authority, computer lab, volleyball court, and playground.
Site Acre	12.13 Acres per Market Study
Density	14.1 Units per Acre
Zoning	The subject property is zoned NR-15 (Multifamily) by the city of Punta Gorda, which permits density of 15 units per acre.
Flood Zone Designation	According to the Department of Housing and Urban Development, Flood Hazard Boundary Map, Community Panel # 12015C0241F effective May 5, 2003, the subject site is located in Zone "AE". Mandatory flood insurance purchase requirements apply.
<b>DEVELOPMENT TEAM</b>	
Applicant/Borrower	Gulf Breeze Apartments Partners, Ltd.
General Partner (0.1% ownership)	Norstar Gulf Breeze, Inc., a Florida corporation (.0051% interest) an affiliate of Norstar Development USA, L.P., and Gulf Breeze Apartments Partners, L.L.C., a Florida limited liability company (.0049% interest) an affiliate of Punta Gorda Housing Authority.
Limited Partner (99.99% ownership)	Apollo Equity Partners, or an assignee (99.99% interest)
Guarantors	Gulf Breeze Apartments Partners, Ltd., Norstar Gulf Breeze, Inc., Norstar Development USA, L.P., and Richard Higgins, individually
Co-Developers	Norstar Development USA, L.P., a Texas limited partnership and Gulf Breeze Apartments Developers, L.L.C., a Florida limited liability company
General Contractor	Brooks & Freund LLC Florida License# CGCA16135 expires August 31, 2008
Architect	Kadushin Associates Architects Planners, Inc. Florida License - listed as application in progress by Florida Department of Business and Professional Regulations Licensing Board. Receipt of the valid Florida License prior to loan closing will remain a condition of this report.
Engineer	Giler Urban Design, Inc. Florida License #25999 Expires 02/28/2009
Management Company	Norstar Accolade Property Management
First Mortgage Bond Issuer	Punta Gorda Housing Authority
First Mortgage Private Placement Provider	RBC Capital Markets Corporation, a subsidiary of the Royal Bank of Canada on behalf of Nuveen Investments.
Housing Credit Syndicator	Apollo Equity Partners or an assignee, an affiliate of the

	Private Placement Provider, RBC Capital Markets Corporation
FINANCING INFORMATION	
FHFC Programs	RRLP and HC
Punta Gorda Housing Authority Multifamily Mortgage Revenue Bonds (2007 Series A) First Mortgage Amount	\$14,000,000 during construction is expected to be reduced to \$2,700,000 at conversion to permanent financing. The bonds will consist of approximately \$5,710,000 in Escrow Bonds that are expected to be cash collateralized as long as they are outstanding, \$5,590,000 in Bridge Bonds that will bridge a portion of the proceeds from the sale of the 4% HC's and \$2,700,000 in Permanent Bonds.
"All in" Underwritten Interest Rate	Escrow Bonds - 4.0% fixed rate interest only during construction Bridge Bonds - 5.5% fixed rate interest only during construction Permanent Bonds - 5.5% fixed rate interest only for 24 months during construction then amortizing during permanent; payable semi-annually Blended Rate 4.88%
Term/Amortization	Escrow Bonds and Bridge Bonds – subject to redemption in full on the later to occur of sixty (60) days after construction completion or September 1, 2009 Permanent Bonds – 37 years / 35 years (Begin amortizing after construction completion)
RRLP Second Mortgage Loan Amount	The total RRLP loan amount is \$2,300,000 (Base loan plus Supplemental loan). The base loan amount is \$1,000,000 further subdivided into a pro rata portion attributable to extremely low income units ("ELI portion") equal to 15% of the base loan amount or \$150,000 and a pro rata portion attributable to non-ELI units ("non-ELI portion") equal to 85% of the base loan amount or \$850,000. The supplemental loan is based on \$50,000 per ELI unit for a loan amount of \$1,300,000 with the principal forgivable provided the units are targeted for ELI households for at least 20 years. Gulf Breeze Apartments has 26 ELI units.
Interest Rate on pro rata ELI Units	0% plus servicing, financial monitoring and compliance monitoring fees
Interest Rate on pro rata non-ELI Units	1% plus servicing, financial monitoring and compliance monitoring fees
Interest Rate on Supplemental Loan	0% plus servicing, financial monitoring and compliance monitoring plus fees
Term/Amortization	Base Loan - 35 years (as requested by the Syndicator and allowed per Rule) / N/A  Supplemental Loan - 20 years (principal is forgivable provided the units for which the loan is awarded are targeted to ELI households for at least 20 years) / N/A

<b>SUBORDINATE FINANCING INFORMATION</b>	
Punta Gorda Housing Authority Third Mortgage Loan Amount	\$12,450,000
Interest Rate	1.4%
Term/Amortization	35 years / N/A (payable from residual receipts from the Development)
Rent-Restricted / Favorable Financing Value at Stabilization	\$5,340,000
Market Rent / Market Financing Value at Stabilization	\$14,070,000
Restricted Loan To Value - First Mortgage MMRB and RRLP Loan	93.6% after conversion to permanent loan financing and pay down.
Market Loan To Value - First Mortgage MMRB and RRLP Loan	35.5% after conversion to permanent loan financing and pay down.
Projected Net Operating Income	\$217,910
Debt Service Coverage – First Mortgage MMRB and RRLP Loan	1.11
Total FHFC Assistance Per Unit	\$13,450

**Construction/Permanent Sources:**

<b>Source</b>	<b>Lender</b>	<b>Construction</b>	<b>Permanent</b>	<b>Permanent Loan/Unit</b>
Tax-Exempt Bonds	Punta Gorda HA	\$14,000,000	\$2,700,000	\$15,789
RRLP Base Loan ELI	FHFC	\$150,000	\$150,000	\$877
RRLP Base Loan Non-ELI	FHFC	\$850,000	\$850,000	\$4,971
RRLP Supplemental Loan	FHFC	\$1,300,000	\$1,300,000	\$7,602
Punta Gorda HA Loan	Punta Gorda HA	\$12,450,000	\$12,450,000	\$72,807
Housing Credit Equity	RBC	\$2,031,794	\$8,867,020	\$51,854
Deferred Developer Fee	Norstar	\$1,604,614	\$359,388	\$2,102
<b>Total</b>		<b>\$32,386,408</b>	<b>\$26,676,408</b>	<b>\$156,002</b>

The construction sources exceed the construction uses by \$5,710,000 which represents the total RRLP loan amount of \$2,300,000 and \$3,410,000 of the Punta Gorda Housing Authority loan. The RRLP funds and \$3,410,000 of the Punta Gorda Housing Authority loan funds will not be funded or available during construction instead; the funds will be held by the Trustee until permanent financing and used along with HC equity to pay-down the Punta Gorda Housing Authority bonds.



**Changes from the Application:**

<b>COMPARISON CRITERIA</b>	<b>YES</b>	<b>NO</b>
Does the level of experience of the current team equal or exceed that of the team described in the application?	X	
Are all funding sources the same as shown in the Application?		1
Are all local government recommendations/contributions still in place at the level described in the Application?	X	
Is the Development feasible with all amenities/features listed in the Application?	X	
Do the site plans/architectural drawings account for all amenities/features listed in the Application?		2
Does the applicant have site control at or above the level indicated in the Application?	X	
Does the applicant have adequate zoning as indicated in the Application?	X	
Has the Development been evaluated for feasibility using the total length of set-aside committed to in the Application?	X	
Have the Development costs remained equal to or less than those listed in the Application?		3
Is the Development feasible using the set-asides committed to in the Application?	X	
If the Development has committed to serve a special target group (e.g. elderly, large family, etc.), do the development and operating plans contain specific provisions for implementation?	N/A	
HOME ONLY: If points were given for match funds, is the match percentage the same as or greater than that indicated in the Application?	N/A	
HC ONLY: Is the rate of syndication the same as or greater than that shown in the Application?	N/A	
Is the Development in all other material respects the same as presented in the Application?		4

The following are explanations of each item checked "No" in the table above:

- Several of the initial funding sources and amounts listed in the application have since changed. The original Punta Gorda Housing Authority bond amount in the application was \$10,000,000 which has now increased to \$14,000,000. The original syndicator was Paramount Financial Group which has now changed to Apollo Equity Partners. The Punta Gorda Housing Authority loan was not contemplated at the time of application. The revised funding sources are acceptable.
- The unit mix on the site plans differs from that submitted at the time of application. The application listed 184 garden apartments located in 15 residential buildings. The revised unit mix includes 171 two- and three-story triplex, quadruplex and townhouse

units located in 49 residential buildings. The Developer has indicated that the physical density of the site based on the plans and specifications is only capable of supporting 171 units. The bathroom layout has also changed since the application. The revised unit mix reduces the amount of Supplemental RRLP funds that the Applicant is eligible to receive (\$50,000 X 26 units set aside for ELI = \$1,300,000). The revised unit mix is acceptable.

3. The development costs have increased approximately 29% primarily due to labor and materials cost increases.
4. Please see the Waiver Requests/Special Conditions section of this report for further changes since the application was submitted.

The above-mentioned changes are acceptable to the credit underwriter as they pose no significant threat to the financial viability of the development.

Does the Development Team have any FHFC Financed Developments on the Past Due/Non-Compliance Report?

According to the FHFC, April 18, 2007 Asset Management Non-Compliance Report, The Co-Developers, Norstar Development USA, L.P. and Gulf Breeze Apartments Developers, L.L.C., and the Management Company, Norstar Accolade Property Management, have the following non-compliance item(s):

- None

According to the FHFC Past Due report dated April 17, 2007, The Co-Developers, Norstar Development USA, L.P. and Gulf Breeze Apartments Developers, L.L.C., and the Management Company, Norstar Accolade Property Management have the following past due item(s):

- None

Closing of the loan is conditional upon verification that any outstanding past due, and/or non-compliance items noted at the time of closing, have been satisfied.

Strengths:

1. The market study concluded that the subject site is physically and legally suited for a multi-family development. The subject's amenities are similar or superior to the amenities offered at comparable developments. The subject neighborhood is located within a mixed use area that has all necessary supporting commercial services for residential development.
2. The Principals and Developer, as well as the General Contractor, and Management Company are experienced in this field.
3. The Applicant and its Principals, as well as the Limited Partner/Syndicator have sufficient experience and substantial financial resources to operate the proposed development.

Other Considerations:

None

Mitigating Factors:

None

Waiver Requests/Special Conditions:

An Order Granting Variance from Emergency Rule 67ER05-17(3)(b), F.A.C. was granted by the FHFC Board of Directors on December 15, 2006, reducing the interest rate on the pro rata portion of the RRLP base loan attributable to non-ELI units to 1%.

An Order Granting a Waiver of Emergency Rule 67ER06-15(14), F.A.C., and the Applicable Instructions incorporated by Emergency Rule 67ER06-15(1)(a), F.A.C. was granted by the FHFC Board of Directors on October 20, 2006, allowing the removal of Sandspur Housing Group, Ltd., as the sole developer, and substitution of Norstar Development USA, L.P. and Gulf Breeze Apartments Developers, L.L.C. for purposes of the application and all other purposes as co-developers. Further, the Board approved the removal of Gulf Breeze Sandspur Partners, L.L.C., as a co-General Partner, as identified in the application, and the admission of Norstar Gulf Breeze, Inc., a Florida corporation as a co-General Partner, and substituting Gulf Breeze Apartments Partners, L.L.C. and Norstar Gulf Breeze, Inc., a Florida corporation, for purposes of the application and all other purposes as co-General Partners.

Additional Information:

None

Issues and Concerns:

None

Recommendation:

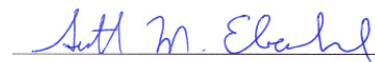
First Housing recommends that a total RRLP loan in the amount of **\$2,300,000** consisting of a base loan ELI portion of **\$150,000**, a base loan non-ELI portion of **\$850,000**, and a Supplemental Loan in the amount of **\$1,300,000** be awarded for this development.

These recommendations are based upon the assumptions detailed in the Board Summary (Section A), and Supporting Information and Schedules (Section C). In addition, these recommendations are subject to the Rental Recovery Loan Program Conditions (Section B). This recommendation is only valid for six months from the date of the report.

The reader is cautioned to refer to these sections for complete information.

Prepared by:

Reviewed by:



Scott M. Eberhard  
Senior Credit Underwriter  
First Housing Development Corporation



Edward Busansky  
Senior Vice President

## Overview

### Construction Financing Sources:

Source	Lender	Application	Applicant Revised	Underwriter	Const. Int. Rate	Construction Annual Debt Service
Tax-Exempt Bonds	Punta Gorda HA	\$10,000,000	\$14,000,000	\$14,000,000	4.880%	\$683,200
RRLP Base Loan ELI	FHFC	\$150,000	\$150,000	\$150,000	0.000%	\$0
RRLP Base Loan Non-ELI	FHFC	\$850,000	\$850,000	\$850,000	1.000%	\$8,500
RRLP Supplemental Loan	FHFC	\$1,400,000	\$1,300,000	\$1,300,000	0.000%	\$0
Punta Gorda HA Loan	Punta Gorda HA	\$0	\$12,450,000	\$12,450,000	1.400%	\$0
Housing Credit Equity	RBC	\$6,612,558	\$2,043,901	\$2,031,794	N/A	N/A
Deferred Developer Fee	Norstar	\$1,688,612	\$2,203,013	\$1,604,614	N/A	N/A
<b>Total</b>		<b>\$20,701,170</b>	<b>\$32,996,914</b>	<b>\$32,386,408</b>		<b>\$691,700</b>

### MMRB Program Structure:

The Underwriter has reviewed a preliminary loan commitment from RBC Capital Markets Corporation, dated March 5, 2007, indicating the proposed terms for the purchase of up to \$14,000,000 in tax exempt bonds to be issued by the Punta Gorda Housing Authority. The bonds will be in a first mortgage position. Up to \$8,290,000 of the bonds will be purchased on a non-rated basis and \$5,710,000 in escrow bonds will be purchased that are expected to be rated "AAA" and will be cash collateralized as long as they remain outstanding ("Escrow Bonds"). The Escrow Bonds will only be secured by the escrowed RRLP and Punta Gorda funds and shall not be secured by a mortgage on the property. It is expected that the Escrow Bonds will bear interest at 4%. \$5,590,000 in bonds will bridge a portion of the proceeds from the sale of the 4% HCs to be paid to the partnership on or before completion of construction of the development ("Bridge Bonds"). \$2,700,000 in bonds will be structured as permanent bonds that will remain outstanding for a 37 year term, will fully amortize over a 35 year period and will be supported by rental revenue generated from the property ("Permanent Bonds"). The Permanent Bonds and Bridge Bonds will be secured by a first mortgage on the property and are expected to bear interest at 5.5%. The blended rate of the three tranches during construction is 4.88%. There are no issuer fees associated with the transaction; trustee fees are estimated at \$3,500 annually. The Escrow and Bridge Bonds will be subject to mandatory redemption following completion of construction.

### RRLP Loan Structure:

The Applicant has requested a total RRLP loan in the amount of \$2,300,000. The RRLP loan will be in a second mortgage position. If approved, the RRLP base loan will have a non-ELI portion of \$850,000 and an ELI portion of \$150,000. For the subject development, 15% of the units will be set aside for tenants with an income at or below 40% AMI, so 15% or \$150,000 of the base loan is attributable to ELI units and per Rule will have a rate of 0% simple interest per annum. The remaining 85% of the base loan, or \$850,000, will have a rate of 1% simple interest per annum. The entire base loan is non-amortizing and will be for a term of 35 years, as requested by the Syndicator and allowed per the Rule. The annual interest payment will be based upon the development cash flow, determined pursuant to the RRLP Cash Flow Reporting

Form RRLP-1. Any unpaid interest will be deferred until cash flow is available. At the maturity of the base loan all principal and deferred interest will be due. The RRLP loan request also includes a supplemental loan equal to \$50,000 per unit for each of the ELI units. Applicant has committed to provide 15% of the units to ELI households or 26 units. Therefore, the supplemental loan amount is in the amount of \$1,300,000 and will be non-amortizing. The interest rate will be 0% simple interest per annum. Principal is forgivable provided the units for which the supplemental loan is awarded are targeted to ELI Households for at least 20 years. RRLP funds will be held by the trustee during construction to pay-down the Punta Gorda bonds at conversion to permanent financing. The RRLP loan will be secured by a second mortgage. Applicant has committed to set aside the units targeted to ELI households for 50 years.

Other Construction Funding Sources:

First Housing has received an executed commitment, dated May 1, 2007, indicating that the Punta Gorda Housing Authority is prepared to make a construction and permanent loan in the amount of \$12,450,000 to finance the cost of constructing the project. The Punta Gorda Housing Authority loan will be in a third mortgage position. The loan shall have a term of 35 years and an annual interest rate of 1.4%. Payments will be made from residual receipts from the development if available. The third mortgage loan consists of SHIP funds, insurance proceeds from damage to the Punta Gorda Housing Authority public housing structures due to Hurricane Charley, and HUD disaster relief funds made available to the Punta Gorda Housing Authority to rebuild public housing units. \$9,040,000 will be used directly by the Applicant at closing and/or during construction. \$3,410,000 will be escrowed by the Trustee along with \$2,300,000 in RRLP funds to secure the outstanding Escrow Bonds and will be used along with HC equity to pay-down the Bonds at conversion to permanent financing.

Housing Credits Equity Investment:

The Applicant intends to use HC equity as a source of funding for the construction of the development. At the time this credit underwriting report was prepared, the Applicant had not applied for the 4% non-competitive HCs. Although the Underwriter has included HC equity as a source of funding for this transaction, First Housing makes no recommendation for an annual allocation of HCs at this time. A review of a firm equity commitment from Apollo Equity Partners, dated April 27, 2007, indicates that \$1,425,290 or 16.1% of the total equity will be available at closing of construction financing. The Applicant successfully meets the 35% test requirement with the inclusion of the Bridge Bonds in the amount of \$5,590,000 which will bridge a portion of the proceeds from the sale of the 4% HCs to be paid to the partnership on or before completion of construction of the development. \$2,031,794 or 22.6% of the total equity will be available prior to construction completion.

Deferred Developer Fee:

The Developer will be required to defer \$1,604,614 or 46% of the total developer fee to balance the sources and uses during construction.

**Permanent Financing Sources:**

Source	Lender	Application	Applicant Revised	Underwriter	Interest Rate	Amort. Yrs.	Term Yrs.	Annual Debt Service
Tax-Exempt Bonds	Punta Gorda HA	\$10,000,000	\$2,700,000	\$2,700,000	5.500%	35	37	\$173,993
RRLP Base Loan ELI	FHFC	\$150,000	\$150,000	\$150,000	0.000%	N/A	35	\$0
RRLP Base Loan Non-ELI	FHFC	\$850,000	\$850,000	\$850,000	1.000%	N/A	35	\$8,500
RRLP Supplemental Loan	FHFC	\$1,400,000	\$1,300,000	\$1,300,000	0.000%	N/A	20	\$0
Punta Gorda HA Loan	Punta Gorda HA	\$0	\$12,450,000	\$12,450,000	1.400%	N/A	35	\$0
Housing Credit Equity	RBC	\$7,347,286	\$9,044,018	\$8,867,020	N/A	N/A	N/A	N/A
Deferred Developer Fee	Norstar	\$953,884	\$282,555	\$359,388	N/A	N/A	N/A	N/A
Total		\$20,701,170	\$26,776,573	\$26,676,408				\$182,493

**MMRB Program Structure:**

The Underwriter has reviewed a preliminary loan commitment from RBC Capital Markets Corporation, dated March 5, 2007, indicating the proposed terms for the purchase of up to \$14,000,000 in tax exempt bonds to be issued by the Punta Gorda Housing Authority. The bonds will be in a first mortgage position. \$2,700,000 in bonds will be structured as permanent bonds that will remain outstanding for a 37 year term, will fully amortize over a 35 year period and will be supported by rental revenue generated from the property ("Permanent Bonds"). The Permanent Bonds will be secured by a first mortgage on the property and are expected to bear interest at 5.5%. There are no issuer fees associated with the transaction; trustee fees are estimated at \$3,500 annually.

**RRLP Loan Structure:**

The Applicant has requested a total RRLP loan in the amount of \$2,300,000. The RRLP loan will be in a second mortgage position. If approved, the RRLP base loan will have a non-ELI portion of \$850,000 and an ELI portion of \$150,000. For the subject development, 15% of the units will be set aside for tenants with an income at or below 40% AMI, so 15% or \$150,000 of the base loan is attributable to ELI units and per Rule will have a rate of 0% simple interest per annum. The remaining 85% of the base loan, or \$850,000, will have a rate of 1% simple interest per annum. The entire base loan is non-amortizing and will be for a term of 35 years, as requested by the Syndicator and allowed per the Rule. The annual interest payment will be based upon the development cash flow, determined pursuant to the RRLP Cash Flow Reporting Form RRLP-1. Any unpaid interest will be deferred until cash flow is available. At the maturity of the base loan all principal and deferred interest will be due. The RRLP loan request also includes a supplemental loan equal to \$50,000 per unit for each of the ELI units. Applicant has committed to provide 15% of the units to ELI households or 26 units. Therefore, the supplemental loan amount is in the amount of \$1,300,000 and will be non-amortizing. The interest rate will be 0% simple interest per annum. Principal is forgivable provided the units for which the supplemental loan is awarded are targeted to ELI Households for at least 20 years. RRLP funds will be held by the trustee during construction to pay-down the Punta Gorda bonds at conversion to permanent financing. The RRLP loan will be secured by a second mortgage.

Other Permanent Funding Sources:

First Housing has received an executed commitment, dated May 1, 2007, indicating that the Punta Gorda Housing Authority is prepared to make a construction and permanent loan in the amount of \$12,450,000 to finance the cost of constructing the project. The Punta Gorda Housing Authority loan will be in a third mortgage position. The loan shall have a term of 35 years and an annual interest rate of 1.4%. Payments will be made from residual receipts from the development if available. The third mortgage loan consists of SHIP funds, insurance proceeds from damage to the Punta Gorda Housing Authority public housing structures due to Hurricane Charley, and HUD disaster relief funds made available to the Punta Gorda Housing Authority to rebuild public housing units. \$9,040,000 will be used directly by the Applicant at closing and/or during construction. \$3,410,000 will be escrowed by the Trustee along with \$2,300,000 in RRLP funds to secure the outstanding Escrow Bonds and will be used along with HC equity to pay-down the Bonds at conversion to permanent financing.

Housing Credits Equity Investment:

In addition, the development is expected to be financed by syndication proceeds from the sale of Housing Credits ("HC"). Since the subject received tax exempt bonds greater than 50% of cost, the borrower anticipates applying for 4% HCs. Based on a Letter of Intent, dated May 14, 2007, Apollo Equity Partners is proposing to purchase a 99.99% interest in the development partnership which is summarized below.

The following pay-in schedule outlines the housing credit equity amounts and timing.

Capital Contributions	Amount	Percentage of Total	When Due
1st Installment	\$1,425,290	16.1%	Closing of the partnership
2nd Installment	\$606,504	6.8%	50% completion
3rd Installment	\$5,747,036	64.8%	Certificate of occupancy
4th Installment	\$566,603	6.4%	90% occupancy
5th Installment	\$521,587	5.9%	Receipt of form 8609
<b>Total</b>	<b>\$8,867,020</b>	<b>100.0%</b>	

Annual Credit Per Syndication Agreement: \$871,967

Calculated HC Exchange Rate: \$1.017

Limited Partner Ownership Percentage: 99.99%

Proceeds Available During Construction: \$2,031,794

The Developer will be required to defer \$359,388 or 10% of the total developer fee to balance the sources and uses during permanent financing.

## Uses of Funds

	Applicants Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>Actual Construction Cost</b>			
Site Work	\$0	\$2,716,000	\$2,716,000
New Rental Units	\$12,328,000	\$13,550,003	\$13,550,003
Total Construction Contract	<b>\$12,328,000</b>	<b>\$16,266,003</b>	<b>\$16,266,003</b>
Hard Cost Contingency	\$275,000	\$702,449	\$702,449
General Contractor Fee	\$1,725,920	\$2,184,769	\$2,184,769
<b>Total Actual Construction Cost</b>	<b>\$14,328,920</b>	<b>\$19,153,221</b>	<b>\$19,153,221</b>

### Notes to the Actual Construction Costs:

1. The Applicant has submitted a construction contract, dated April 27, 2007, which indicates a guaranteed maximum price of \$18,450,772 which includes \$16,266,003 in construction costs and \$2,184,769 in general contractor fees.. The general contractor fee is within the 14% allowed by FHFC Rule. The contract indicates that substantial completion is to occur not later than 18 months from the date of commencement. The Underwriter recommends 10% retainage be withheld until 50% completion and 0% thereafter on the entire draw amount to adhere to FHFC Rule.
2. First Housing recommends a funded hard cost contingency equal to 4.32% of total construction contract costs or \$702,449 .
3. The G/C fees are within the guideline of 14% of hard costs.
4. The General Contractor will provide a payment and performance bond in the amount of the construction contract.



	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>General Development Costs</b>			
Accounting Fees	\$5,000	\$25,000	\$25,000
Appraisal	\$10,000	\$10,000	\$10,000
Architect's Fees - Design	\$177,200	\$420,000	\$420,000
Architect's Fee - Supervision	\$0	\$100,000	\$100,000
Builder's Risk Insurance	\$150,000	\$300,000	\$300,000
Building Permits	\$90,000	\$75,000	\$75,000
Engineering Fee	\$191,800	\$130,000	\$130,000
Environmental Report	\$50,000	\$10,000	\$10,000
FHFC Administrative Fee	\$69,158	\$23,000	\$71,150
FHFC Application Fee	\$4,000	\$2,000	\$2,000
FHFC Compliance Fee	\$65,184	\$236,500	\$88,185
Credit Underwriting Fee	\$19,437	\$11,015	\$11,015
Impact Fees	\$108,314	\$167,500	\$167,500
Inspection Fees	\$0	\$30,000	\$30,000
Insurance	\$0	\$200,000	\$200,000
Legal Fees	\$50,000	\$100,000	\$100,000
Market Study	\$0	\$5,000	\$5,000
Marketing and Advertising	\$150,000	\$20,000	\$20,000
Operating Deficit Reserve	\$0	\$105,000	\$105,000
Relocation of Displaced Residents	\$0	\$50,000	\$50,000
Property Taxes	\$20,000	\$25,000	\$25,000
Soil Test	\$25,000	\$10,000	\$10,000
Survey	\$25,000	\$20,000	\$20,000
Title Insurance & Recording Fees	\$80,000	\$150,000	\$150,000
Utility Connection Fees	\$597,355	\$150,000	\$150,000
Soft Cost Contingency	\$0	\$63,000	\$63,000
<b>Total General Development Costs</b>	<b>\$1,887,448</b>	<b>\$2,438,015</b>	<b>\$2,337,850</b>

## Notes to the General Development Costs:

1. General Development Costs are the Applicant's updated estimates, which appear reasonable.
2. The FHFC Administrative Fee is based on 8% of the expected annual housing credit allocation.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>Financial Costs</b>			
Construction Loan Credit Enhancement	\$150,000	\$0	\$0
Construction Loan Interest	\$654,377	\$819,000	\$819,000
Construction Loan Origination Fee	\$0	\$25,000	\$25,000
Construction Loan Closing Costs	\$0	\$150,000	\$150,000
Permanent Loan Credit Enhancement	\$100,000	\$0	\$0
Reserves Required by Lender	\$0	\$380,000	\$380,000
RRLP Commitment Fee	\$10,000	\$10,000	\$10,000
Bond Cost of Issuance	\$412,620	\$325,000	\$325,000
<b>Total Financial Costs</b>	<b>\$1,326,997</b>	<b>\$1,709,000</b>	<b>\$1,709,000</b>

## Notes to the Financial Costs:

1. The Financial Costs are the Applicant's detailed estimates, which were adjusted to reflect the actual estimates based upon the recommended MMRB loan amount.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>Non-Land Acquisition Costs</b>			
Building Acquisition Costs	\$0	\$0	\$0
<b>Total Non-Land Acquisition Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Notes to the Non-Land Acquisition Costs:

1. Since this is a new construction development, there are no non-land acquisition costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
Development Cost Before Developer Fee and Land Costs	\$17,543,365	\$23,300,236	\$23,200,071
<b>Other Development Costs</b>			
Developer Fee	\$3,157,805	\$3,476,337	\$3,476,337
<b>Total Developer's Fee</b>	<b>\$3,157,805</b>	<b>\$3,476,337</b>	<b>\$3,476,337</b>

## Notes to the Other Development Costs:

1. The recommended Developer's Fee is equal to or less than 18% of the total development cost before developer fee and land costs.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>Acquisition Costs</b>			
Acquisition Costs	\$0	\$0	\$0
<b>Total Acquisition Costs</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

## Notes to Acquisition Costs:

- The Underwriter has reviewed a Ground Lease, dated August 2, 2005, between Punta Gorda Housing Authority ("Landlord") and the Applicant ("Tenant") as amended, which indicates a base annual rent of \$10 and a term of 55 years from the Commencement Date of August 2, 2005. Through a joinder in interest, the Trustee shall have a first priority lien on both the leasehold estate and fee.

	Application Total Costs	Applicant's Revised Total Costs	Underwriter's Total Costs
<b>Total Development Costs</b>	<b>\$20,701,170</b>	<b>\$26,776,573</b>	<b>\$26,676,408</b>

## Notes to Development Costs:

- The total development costs have increased 29% since the time of application, primarily due to material and labor costs but, also due to changes in the unit mix of the development.

**OPERATING PRO FORMA – Gulf Breeze Apartments**

DESCRIPTION	Annual	Per Unit
<b>Revenue</b>		
Gross Potential Rental Revenue	\$991,356	\$5,797
Other Income		
Other Income	\$56,160	\$328
Gross Potential Income	\$1,047,516	\$6,126
Less:		
Vacancy and Collection Loss (6%)	\$62,851	\$368
<b>Total Effective Gross Revenue</b>	<b>\$984,665</b>	<b>\$5,758</b>
<b>Expenses</b>		
Fixed:		
Real Estate Taxes	\$52,500	\$307
Insurance	\$155,000	\$906
Variable:		
Management Fee (6%)	\$59,080	\$345
General and Administrative	\$34,200	\$200
Payroll Expenses	\$171,000	\$1,000
Utilities	\$136,800	\$800
Marketing and Advertising	\$17,100	\$100
Maintenance and Repairs	\$59,850	\$350
Grounds Maintenance and Landscaping	\$34,200	\$200
Reserve for Replacements	\$42,750	\$250
Pest Control	\$4,275	\$25
<b>Total Expenses</b>	<b>\$766,755</b>	<b>\$4,484</b>
<b>Net Operating Income</b>	<b>\$217,910</b>	<b>\$1,274</b>
<b>Debt Service Payments</b>		
First Mortgage - Punta Gorda Bonds	\$173,993	\$1,018
Second Mortgage - Total RRLP Loans	\$8,500	\$50
Third Mortgage - Punta Gorda Loan	\$0	\$0
Trustee, Servicing, Financial and Compliance Fees	\$14,129	\$83
<b>Total Debt Service Payments</b>	<b>\$196,622</b>	<b>\$1,150</b>
<b>Operating Income After Debt Service - Before Tax</b>	<b>\$21,288</b>	<b>\$124</b>
<b>Cash Flow</b>		

<b>Debt Service Coverage Ratios</b>	
Debt Service Coverage - 1st Mtg.	1.25
Debt Service Coverage - All Mtgs plus Fees	1.11

<b>Financial Ratios</b>	
Operating Expense Ratio	78%
Break-Even Ratio	92%

## Notes to the Operating Pro Forma and Ratios:

1. Gross Potential Rental Revenue is based upon the FHFC 2007 restricted rents less utility allowance as required by the HC Program, which are supported by the Market Study, and Appraisal. Note that the applicant is requesting RRLP funds, which is income restricted. It is anticipated that the Applicant will apply for 4% HCs, therefore, the rent restricted rents have been utilized for underwriting purposes. Furthermore, the subject will have 85 units receiving ACC subsidies. The ACC subsidy is currently estimated by representatives of the Punta Gorda Housing Authority to be \$244 for each of the 85 subsidized units. Tenant portion of the rent has been estimated at \$125. The actual amount will vary depending upon the income of the individual tenants. The maximum rent allowable for the ACC units is based on the operating expenses for the unit. Below is the rent roll for the subject property:

MSA (County): Punta Gorda (Charlotte)

Bed-rooms	Baths	No. of Units	Unit Size (SF)	Median Income %	Max. Gross HC Rents	Utility Allowance	Max Net HC Rents	Underwriter Rents	Annual Rents
1	1	28	728	40%/ACC	\$381	\$57	\$324	\$324	\$108,864
1	1	27	728	60%	\$571	\$57	\$514	\$514	\$166,536
1	1	1	728	Mkt	N/A	N/A	N/A	\$514	\$6,168
2	1.5 - 1.75	37	1,115 - 1,306	40%/ACC	\$457	\$64	\$393	\$369	\$163,836
2	1.5 - 1.75	37	1,115 - 1,306	60%	\$685	\$64	\$621	\$621	\$275,724
2	1.5 - 1.75	1	1,115 - 1,306	Mkt	N/A	N/A	N/A	\$621	\$7,452
3	1.5 - 1.75	18	1,307 - 1,325	40%/ACC	\$528	\$74	\$454	\$369	\$79,704
3	1.5 - 1.75	17	1,307 - 1,325	60%	\$792	\$74	\$718	\$718	\$146,472
3	1.5 - 1.75	1	1,307 - 1,325	Mkt	N/A	N/A	N/A	\$718	\$8,616
4	2.25	2	1,471	40%/ACC	\$589	\$86	\$503	\$369	\$8,856
4	2.25	2	1,471	60%	\$883	\$86	\$797	\$797	\$19,128
<b>Totals</b>		<b>171</b>							<b>\$991,356</b>

2. The vacancy and collection loss rate of 6% is based on the Appraiser's estimate.
3. Other Income is comprised of car wash, vending and late charge income streams. Total other income categories are estimated at \$328 per unit. The appraisal supports these other income estimates.
4. Based upon operating data from comparable properties, third-party reports (Appraisal and Market Study) and the Credit Underwriter's independent due diligence, First Housing represents that, in its professional opinion, estimates for Rental Income, Vacancy, Other Income, and Operating Expenses fall within a band of reasonableness.
5. The applicant has submitted an Executed Management Agreement which reflects a management fee of 6% of effective gross income.
6. Replacement Reserves of \$250 per unit per year are required.
7. Refer to Exhibit I, Page 1 for a 15-Year Pro Forma, which reflects rental income increasing at an annual rate of 3%, and expenses increasing at an annual rate of 4%.

8. Debt Service Coverage on the Bonds and RRLP loan is estimated at 1.11 . The Applicant has elected to have the RRLP loan underwritten with minimum debt service coverage.

**Section B**

**Rental Recovery Loan Program Conditions**

## **Special Conditions**

This recommendation is contingent upon the review and approval of the following items by Florida Housing and First Housing **at least two (2) weeks before loan closing**. Failure to submit and to receive approval of these items within this time frame may result in postponement of the closing date.

1. Satisfactory receipt and review of a valid Florida Architect License for Kadushin Associates Architects Planners, Inc. prior to closing the RRLP loan.
2. Satisfactory receipt and review of banking references for the Developer and General Contractor prior to closing the RRLP loan.
3. Receipt of a certificate of good standing for the Applicant prior to closing the RRLP loan.

## **General Conditions**

This recommendation is contingent upon the review and approval of the following items by Florida Housing and First Housing **at least two (2) weeks before loan closing**. Failure to submit and to receive approval of these items within this time frame may result in postponement of the closing date.

1. Borrower to comply with any and all recommendations noted in the final plan and cost review which will be prepared by CASI.
2. Signed and sealed survey, dated within 90 days of RRLP loan closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing, and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.
3. Building permits and any other necessary approvals and permits (e.g., final site plan approval, Department of Environmental Protection, Army Corps of Engineers, the Water Management District, Department of Transportation, etc.) or a letter from the local permitting and approval authority stating that the above referenced permits and approvals will be issued upon receipt of applicable fees (with no other conditions), or evidence of 100% lien-free completion, if applicable. If a letter is provided, copies of all permits will be required as a condition of the first post-closing draw.
4. Final "as permitted" (signed and sealed) site plans, building plans and specifications. The geo-technical report must be bound within the final plans and specs.
5. Final sources and uses of funds, itemized by source and line item, in a format approved by FHDC. A detailed calculation of the construction loan interest based upon the final draw schedule, documentation of the bond issuance costs, and draft loan closing statement must also be provided. The sources and uses of funds schedule will be attached to the Loan Agreement as the approved development budget.



6. RRLP Program loan proceeds will be held by the Trustee to pay-down the Punta Gorda County Bonds at conversion to permanent financing.
7. Evidence of general liability, flood (if applicable), builder's risk and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, with coverages, deductibles and amounts satisfactory to Florida Housing.
8. If the development is not 100% lien-free completed, a 100% Payment and Performance Bond or a Letter of Credit (LOC) in an amount not less than 25% of the construction contract is required in order to secure the construction contract between the GC and the Borrower. In either case, Florida Housing must be listed as co-obligee. The P&P bonds must be from a company rated at least "A-" by A.M. Best & Co with a financial size category of at least FSC VI. FHFC, and/or legal counsel must approve the source, amount(s) and all terms of the P&P bonds, or LOC. If the LOC option is utilized, the LOC must include "evergreen" language and be in a form satisfactory to Florida Housing, its Servicer and its Legal Counsel.
9. Architect, Construction Consultant, and Developer Certifications on forms provided by FHFC will be required for both design and as built with respect to Section 504 of the Rehabilitation Act, Americans with Disabilities Act, and the Federal Fair Housing Act requirements, if applicable.
10. The developer is only allowed to draw a maximum of 50% of the total developer fee (if available) during construction, which is determined to be "developer's overhead". No more than 50% of "developer's overhead" will be funded at closing. The remainder of the "developer's overhead" will be disbursed during construction on a pro rata basis, based on the percentage of completion of the development, as approved and reviewed by FHFC and the Servicer. The remaining 50% of total developer fee (if available) shall be considered attributable to "developer's profit", and may not be funded until the development is 100% completed, and only after retainage has been released.

This recommendation is contingent upon the review and approval by Florida Housing, and its legal counsel **at least two (2) weeks prior to closing**. Failure to receive approval of these items within this time frame may result in postponement of the loan closing date.

1. Documentation of the legal formation and current authority to transact business in Florida for the Borrower, the general partner/principal(s)/managers(s) of the Borrower, the guarantors, and any limited partners of the Borrower.
2. Signed and sealed survey, dated within 90 days of closing, unless otherwise approved by Florida Housing, and its legal counsel, based upon the particular circumstances of the transaction. The Survey shall be certified to Florida Housing and its legal counsel, as well as the title insurance company, and shall indicate the legal description, exact boundaries of the Development, easements, utilities, roads, and means of access to public streets, total acreage and flood hazard area and any other requirements of Florida Housing.

3. An acceptable updated Environmental Audit Report, together with a reliance letter to Florida Housing, prepared within 90 days of closing, unless otherwise approved by Florida Housing, and legal counsel, based upon the particular circumstances of the transaction. Borrower to comply with any and all recommendations noted in the Environmental Assessment(s) and Update and the Environmental Review, if applicable
4. Title insurance pro-forma or commitment for title insurance with copies of all Schedule B exceptions, in the amount of the Loan(s) naming FHFC as the insured. All endorsements required by FHFC shall be provided.
5. Florida Housing and its legal counsel shall review and approve all other lenders closing documents and the limited partnership or other applicable agreement. Florida Housing shall be satisfied in its sole discretion that all legal and program requirements for the Loan(s) have been satisfied.
6. Evidence of general liability, flood (if applicable), builder's risk, and replacement cost hazard insurance (as certificates of occupancy are received) reflecting Florida Housing as Loss Payee/Mortgagee, in coverage, deductibles and amounts satisfactory to Florida Housing.
7. Receipt of a legal opinion from the Borrower's legal counsel acceptable to Florida Housing addressing the following matters:
  - a. The legal existence and good standing of the Borrower and of any partnership or limited liability company that is the general partner of the Borrower (the "GP") and of any corporation or partnership that is the managing general partner of the GP, of any corporate guarantor and any manager.;
  - b. Authorization, execution, and delivery by the Borrower and the guarantors, of all Loan(s) documents;
  - c. The Loan(s) documents being in full force and effect and enforceable in accordance with their terms, subject to bankruptcy and equitable principles only;
  - d. The Borrower's and the guarantor's execution, delivery and performance of the Loan(s) documents shall not result in a violation of, or conflict with, any judgments, orders, contracts, mortgages, security agreements or leases to which the Borrower is a party or to which the Development is subject to the Borrower's Partnership Agreement and;
  - e. Such other matters as Florida Housing or its legal counsel may require.
8. Evidence of compliance with local concurrency laws, if applicable.
9. Such other assignments, affidavits, certificates, financial statements, closing statements and other documents as may be reasonably requested by Florida Housing or its legal counsel in form and substance acceptable to Florida Housing or its legal counsel, in connection with the Loan(s).
10. UCC Searches for the Borrower, its partnerships, as requested by counsel.

11. Any other reasonable conditions established by Florida Housing and its legal counsel.

### **Additional Conditions**

This recommendation is also contingent upon satisfaction of the following additional conditions:

1. Compliance with all provisions of Chapter 2005-92, L.O.F., Chapter 420, Rule Chapter 67ER06-13 through 06-24, F.A.C. (RRLP Program Loan) and all other applicable statutes and rules.
2. Acceptance by the Borrower and execution of all documents evidencing and securing the Loan in form and substance satisfactory to Florida Housing, including, but not limited to, the Promissory Note(s), the Loan Agreement(s), the Mortgage and Security Agreement(s), and the Land Use Restriction Agreement(s) and/or Extended Land Use Agreement(s).
3. RRLP Program Loan - At all times there will be un-disbursed loan funds (collectively held by Florida Housing, First Lender and any other sources) sufficient to complete the Development. If at any time there are not sufficient funds (held by Florida Housing, First Lender and any other sources) to complete the Development, the Borrower will be required to expend additional equity on Development costs or to deposit additional equity with Florida Housing which is sufficient (in Florida Housing's judgment) to complete the Development before additional Loan funds are disbursed. This condition specifically includes escrowing at closing all syndication and other equity necessary to complete construction or another alternative acceptable to Florida Housing in its sole discretion.
4. Guarantors to provide the standard FHFC Construction Completion Guarantee, to be released upon lien-free completion, as approved by the Servicer.
5. RRLP Program Loan - Guarantors to provide the standard FHFC Operating Deficit Guarantee to be released upon achievement for six consecutive months, of 1.00 debt service coverage on the combined debt service of the MMRB and RRLP loans (RRLP Program Loan).
6. Guarantors to provide the Standard FHFC Environmental Indemnity.
7. Guarantors to provide Standard FHFC Guarantee of Recourse Obligations.
8. CASI is to act as Florida Housing's inspector during the construction period.
9. A Mortgagee Title Insurance policy naming Florida Housing as the insured in the amount of the Loan(s) is to be issued immediately after closing. Any exceptions to the title insurance policy must be acceptable to Florida Housing or its legal counsel. The form of the title policy must be approved prior to closing.
10. Property tax and hazard insurance escrow are to be established and maintained by the First Mortgage Lender, Trustee, or the Servicer. In the event the reserve account is held by Florida Housing's Loan(s) servicing agent, the release of funds shall be at Florida Housing's sole discretion.

11. Replacement Reserves in the amount of \$250 per unit per year will be required to be deposited on a monthly basis into a designated escrow account, to be maintained by the First Mortgagee or Florida Housing's Loan servicing agent. However, Applicant has the option to prepay Replacement Reserves, as allowed per Rule 67-ER06-13 through 06-24 F.A.C., in the amount of \$42,750 (one-half the required Replacement Reserves for Years 1 and 2), in order to meet the applicable DSC loan requirements. Applicant can waive this election, if at closing of the loan; the required DSC is met without the need to exercise the option. It is currently estimated that Replacement Reserves will be funded from Operations in the amount of \$250 per unit per year for Years 1 and 2, followed by \$250 per unit per year thereafter. An inflation factor based upon the Consumer Price Index will be applied to the Replacement Reserve deposit beginning in Year 7, unless waived or reduced in the event Obligor provides a Physical Needs Study prepared by an independent third party acceptable to FHFC that evidences an increase in the deposit is excessive or unnecessary.
12. Closing of the first mortgage loan simultaneous with or prior to closing of the RRLP Loans. If the RRLP loans do not close simultaneously with the first mortgage, the developer will be required to cover the resulting shortfall with additional deferrals, and/or equity, if necessary.
13. A minimum of 10% retainage holdback on all construction draws until the Development is 50% complete, and 0% retainage thereafter is required. Retainage will not be released until successful completion of construction and issuance of all certificates of occupancy. .
14. Satisfactory completion of a pre-loan closing compliance audit conducted by FHFC or servicer, if applicable.
15. Any other reasonable requirements of FHFC, its legal counsel or the servicer.
16. Satisfactory resolution of any outstanding past due or non compliance issues.

Gulf Breeze 15 Year Pro Forma

DESCRIPTION	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6	YEAR 7	YEAR 8	YEAR 9	YEAR 10	YEAR 11	YEAR 12	YEAR 13	YEAR 14	YEAR 15
<b>Income</b>															
Gross Potential Rental Revenue	\$991,356	\$1,021,097	\$1,051,730	\$1,083,281	\$1,115,780	\$1,149,253	\$1,183,731	\$1,219,243	\$1,255,820	\$1,293,495	\$1,332,300	\$1,372,269	\$1,413,437	\$1,455,840	\$1,499,515
Other Income															
Other Income	\$56,160	\$57,845	\$59,580	\$61,368	\$63,209	\$65,105	\$67,058	\$69,070	\$71,142	\$73,276	\$75,474	\$77,739	\$80,071	\$82,473	\$84,947
Gross Potential Income	\$1,047,516	\$1,078,941	\$1,111,310	\$1,144,649	\$1,178,988	\$1,214,358	\$1,250,789	\$1,288,313	\$1,326,962	\$1,366,771	\$1,407,774	\$1,450,007	\$1,493,507	\$1,538,313	\$1,584,462
Less:															
Vacancy and Collection Loss (6%)	\$62,851	\$64,736	\$66,679	\$68,679	\$70,739	\$72,861	\$75,047	\$77,299	\$79,618	\$82,006	\$84,466	\$87,000	\$89,610	\$92,299	\$95,068
Total Effective Gross Revenue	\$984,665	\$1,014,205	\$1,044,631	\$1,075,970	\$1,108,249	\$1,141,497	\$1,175,742	\$1,211,014	\$1,247,344	\$1,284,765	\$1,323,307	\$1,363,007	\$1,403,897	\$1,446,014	\$1,489,394
<b>Expenses</b>															
Fixed:															
Real Estate Taxes	\$52,500	\$54,600	\$56,784	\$59,055	\$61,418	\$63,874	\$66,429	\$69,086	\$71,850	\$74,724	\$77,713	\$80,821	\$84,054	\$87,416	\$90,913
Insurance	\$155,000	\$161,200	\$167,648	\$174,354	\$181,328	\$188,581	\$196,124	\$203,969	\$212,128	\$220,613	\$229,438	\$238,615	\$248,160	\$258,086	\$268,410
Variable:															
Management Fee (6%)	\$59,080	\$60,852	\$62,678	\$64,558	\$66,495	\$68,490	\$70,544	\$72,661	\$74,841	\$77,086	\$79,398	\$81,780	\$84,234	\$86,761	\$89,364
General and Administrative	\$34,200	\$35,568	\$36,991	\$38,470	\$40,009	\$41,610	\$43,274	\$45,005	\$46,805	\$48,677	\$50,624	\$52,649	\$54,755	\$56,946	\$59,223
Payroll Expenses	\$171,000	\$177,840	\$184,954	\$192,352	\$200,046	\$208,048	\$216,370	\$225,024	\$234,025	\$243,386	\$253,122	\$263,247	\$273,777	\$284,728	\$296,117
Utilities	\$136,800	\$142,272	\$147,963	\$153,881	\$160,037	\$166,438	\$173,096	\$180,019	\$187,220	\$194,709	\$202,497	\$210,597	\$219,021	\$227,782	\$236,893
Marketing and Advertising	\$17,100	\$17,784	\$18,495	\$19,235	\$20,005	\$20,805	\$21,637	\$22,502	\$23,403	\$24,339	\$25,312	\$26,325	\$27,378	\$28,473	\$29,612
Maintenance and Repairs	\$59,850	\$62,244	\$64,734	\$67,323	\$70,016	\$72,817	\$75,729	\$78,759	\$81,909	\$85,185	\$88,593	\$92,136	\$95,822	\$99,655	\$103,641
Grounds Maintenance and Landscaping	\$34,200	\$35,568	\$36,991	\$38,470	\$40,009	\$41,610	\$43,274	\$45,005	\$46,805	\$48,677	\$50,624	\$52,649	\$54,755	\$56,946	\$59,223
Reserve for Replacements	\$42,750	\$42,750	\$42,750	\$42,750	\$42,750	\$42,750	\$44,460	\$46,238	\$48,088	\$50,011	\$52,012	\$54,092	\$56,256	\$58,506	\$60,847
Building Services	\$4,275	\$4,446	\$4,624	\$4,809	\$5,001	\$5,201	\$5,409	\$5,626	\$5,851	\$6,085	\$6,328	\$6,581	\$6,844	\$7,118	\$7,403
				\$0											
<b>Total Expenses</b>	\$766,755	\$795,124	\$824,611	\$855,258	\$887,113	\$920,223	\$956,347	\$993,895	\$1,032,924	\$1,073,493	\$1,115,662	\$1,159,494	\$1,205,056	\$1,252,416	\$1,301,645
<b>Net Operating Income</b>	\$217,910	\$219,081	\$220,020	\$220,712	\$221,136	\$221,274	\$219,395	\$217,119	\$214,420	\$211,272	\$207,646	\$203,512	\$198,841	\$193,598	\$187,749
<b>Debt Service Payments</b>															
First Mortgage Tax-Exempt Bonds	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993	\$173,993
Second Mortgage RRLP Loan	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500	\$8,500
Third Mortgage - Punta Gorda Loan	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Trustee, Servicing, Financial and Compliance Fees	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129	\$14,129
<b>Total Debt Service Payments</b>	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622	\$196,622
<b>Operating Income After Debt Service - Before Tax Cash Flow</b>	\$21,288	\$22,458	\$23,398	\$24,089	\$24,514	\$24,652	\$22,773	\$20,496	\$17,798	\$14,649	\$11,023	\$6,890	\$2,218	(\$3,025)	(\$8,873)
<b>Debt Service Coverage Ratios</b>															
Debt Service Coverage - 1st Mtg.	1.25	1.26	1.26	1.27	1.27	1.27	1.26	1.25	1.23	1.21	1.19	1.17	1.14	1.11	1.08
Debt Service Coverage - All Mtgs plus Fees	1.11	1.11	1.12	1.12	1.12	1.13	1.12	1.10	1.09	1.07	1.06	1.04	1.01	0.98	0.95
<b>Financial Ratios</b>															
Operating Expense Ratio	78%	78%	79%	79%	80%	81%	81%	82%	83%	84%	84%	85%	86%	87%	87%
Break-Even Ratio	92%	92%	92%	92%	92%	92%	92%	92%	93%	93%	93%	94%	94%	94%	95%

**GULF BREEZE APARTMENTS (2005-319HR)**  
**Charlotte County**  
**Description of Features and Amenities**

- A.** The Development will consist of 171 two- and three-story triplex, quadruplex and townhouse units located in 49 residential buildings.

Unit Mix:	56	One bedroom / one bath units
	75	Two bedroom / one and one-half to two bath units
	36	Three bedroom / one and one half to two and one-half bath units
	4	Four bedroom / two and one-half bath units
	171	<b>Total units</b>

The Development is to be constructed in accordance with the final plans and specifications approved by the appropriate city or county building or planning department or equivalent agency, and approved as reflected in the Pre-Construction Analysis prepared for Florida Housing or its Servicer, unless a change order has been approved in writing by Florida Housing or its Servicer. The Development will conform to requirements of local, state and federal laws, rules, regulations, ordinances, orders and codes, Federal Fair Housing Act and Americans with Disabilities Act ("ADA"), as applicable.

- B.** Each **UNIT** will be fully equipped with the following:

1. Air conditioning (window units are not allowed, however, through-wall units are permissible for rehabilitation)
2. Window treatments for each window
3. Termite prevention and pest control throughout the entire affordability period
4. Peephole on all exterior doors
5. Cable or satellite TV hook-up
6. Range, oven and refrigerator
7. At least two full bathrooms in all three bedroom or larger new construction units
8. Bathtub with shower in at least one bathroom in at least 90% of the new construction non-Elderly units

- C.** The Borrower has committed to provide the following features in each **UNIT**:

1. At least 1.5 bathrooms (one full bath and one with at least a toilet and sink) in all two bedroom new construction units
2. Marble window sills in all units

**GULF BREEZE APARTMENTS (2005-319HR)**  
**Charlotte County**  
**Description of Features and Amenities**

3. Dishwasher in all new construction units
4. Steel exterior entry door frames
5. Garbage disposal in all new construction units
6. Double compartment kitchen sink
7. Laundry hook-ups and space for full-size washer and dryer

**D.** The Borrower has committed to the following amenities in the **DEVELOPMENT**:

1. Exercise room with appropriate equipment
2. Community center or clubhouse
3. Playground/tot lot, accessible to children with disabilities (must be sized in proportion to Development's size and expected resident population with age-appropriate equipment)
4. Outside recreation facility – Volleyball Court
5. Thirty-year expected life roofing on all buildings
6. Exterior lighting in open and common areas
7. Computer lab on-site with minimum of one computer per 50 units, with basic word processing, spreadsheets and assorted educational and entertainment software programs, and at least one printer

**E.** The Borrower has committed to provide the following energy conservation features for all **UNITS** in the Development:

1. Air conditioning with SEER rating of 12 or better
2. Wall insulation of R-13 or better for frame-built construction
3. Heat pump with a minimum HSPF of 7.5 instead of electric resistance
4. Electric water heater with energy factor of .91 or better
5. Attic insulation of R-30 or better
6. Ceiling fans in all bedrooms and living area in each unit

**F.** The Borrower has committed to provide the following Resident Programs:

**GULF BREEZE APARTMENTS (2005-319HR)**

**Charlotte County**

**Description of Features and Amenities**

1. Homeownership Opportunity Program – Financial Assistance with Purchase of a Home: Borrower commits to provide a financial incentive which includes the following provisions:
  - a. the incentive must be applicable to the home selected by the resident and may not be restricted to or enhanced by the purchase of homes in which the Borrower, Developer, or other related party has an interest;
  - b. the incentive must be not less than 5% of the rent for the resident's unit during the resident's entire occupancy (Note: Resident will receive the 5% credit for all months for which the resident is in compliance with the terms and conditions of the lease. Damages to the unit in excess of the security deposit will be deducted from the incentive.);
  - c. the benefit must be in the form of a gift or grant and may not be a loan of any nature;
  - d. the benefits of the incentive must accrue from the beginning of occupancy;
  - e. the vesting period can be no longer than 2 years of continuous residency; and
  - f. no fee, deposit or any other such charge can be levied against the resident as a condition of participation in this program
2. After School Program for Children: This program requires the Borrower or its Management Agent to provide supervised, structured, age-appropriate activities for children during after school hours, Monday through Friday. Activities must be on-site at no charge to the residents.
3. First Time Homebuyer Seminars: Borrower or its Management Agent must arrange for and provide, at no cost to the resident, in conjunction with local realtors or lending institutions, semiannual on-site seminars for residents interested in becoming homeowners.
4. Job Training: Borrower or its Management Agent must provide, at no cost to the resident, regularly scheduled classes in keyboarding, computer literacy, secretarial skills or other useful job skills, which will be provided at least once each quarter. If the training is not provided on-site, transportation at no cost to the resident must be provided.
5. Health Care: At least quarterly visits by health care professionals such as nurses, doctors, or other licensed care providers. At a minimum, the following services must be provided: health screening, flu shots, and vision and hearing tests. Regularly scheduled is defined as not less often than once each quarter. On-site space must be provided. Service must be provided at no cost to the residents, with the exception that the residents may be charged for medications.
6. Resident Activities: These specified activities are planned, arranged, provided and paid for by the Borrower or its Management Agent. These activities must be an integral part of the management plan. The Borrower must develop and execute a comprehensive plan of varied activities that brings the residents together and encourages community pride. The goal here is to foster a sense of community by bringing residents together on a regularly scheduled basis by providing activities such as holiday and special occasion parties, community picnics, newsletters, children's special functions, etc.



**GULF BREEZE APARTMENTS (2005-319HR)**

**Charlotte County**

**Description of Features and Amenities**

7. Health and Nutrition Classes: At least eight hours per year, provided on site at no cost to the residents.
8. Financial Counseling: This service must be provided by the Borrower or its Management Agent, at no cost to the resident, and must include the following components: must be regularly scheduled at least once each quarter; must include tax preparation assistance by qualified professionals; must include educational workshops on such topics as "Learning to Budget", "Handling Personal Finances", "Predatory Lending", or "Comparison Shopping for the Consumer".
9. Resident Assistance Referral Program: The Borrower or its Management Agent will make available to residents information about services such as crisis intervention, individual and family needs assessment, problem solving and planning, appropriate information and referral to community resources and services based on need, monitoring of ongoing ability to retain self sufficiency, and advocacy to assist clients in securing needed resources. This service must be provided at no cost the resident.

# COMPLETENESS AND ISSUES CHECKLIST

**DEVELOPMENT**

**NAME:** GULF BREEZE APARTMENTS

**DATE:** MAY 25, 2007

In accordance with the applicable Program Rule(s), the applicant is required to submit the information required to evaluate, complete, and determine its sufficiency in satisfying the requirements for Credit Underwriting to the Credit Underwriter in accordance with the schedule established by the Florida Housing Finance Corporation ("FHFC"). The following items must be satisfactorily addressed. "Satisfactorily" means that the Credit Underwriter has received assurances from third parties unrelated to the applicant that the transaction can close within the allowed time frame. Unsatisfactory items, if any, are noted below and in the "Issues and Concerns" section of the Executive Summary.

FINAL REVIEW	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
1. The development's final "as submitted for permitting" plans and specifications. Note: Final "signed, sealed, and approved for construction" plans and specifications will be required thirty days before closing.	Satis.	
2. Final site plan and/or status of site plan approval.	Satis.	
3. Permit Status.	Satis.	
4. Pre-construction analysis ("PCA").	Satis.	
5. Survey.	Satis.	
6. Complete, thorough soil test reports.	Satis.	
7. Full or self-contained appraisal as defined by the Uniform Standards of Professional Appraisal Practice.	Satis.	
8. Market Study separate from the Appraisal.	Satis.	
9. Environmental Site Assessment – Phase I and/or the Phase II if applicable (If Phase I and/or II disclosed environmental problems requiring remediation, a plan, including time frame and cost, for the remediation is required). If the report is not dated within one year of the application date, an update from the assessor must be provided indicating the current environmental status.	Satis.	
10. Audited financial statements for the most recent fiscal year ended or acceptable alternative as stated in Rule for credit enhancers, applicant, general partner, principals, guarantors and general contractor.	Satis.	
11. Resumes and experience of applicant, general contractor and management agent.	Satis.	
12. Credit authorizations; verifications of deposits and mortgage loans.	Unsat.	
13. Management Agreement and Management Plan.	Satis.	
14. Firm commitment from the credit enhancer or private placement purchaser, if any.	Satis.	
15. Firm commitment letter from the syndicator, if any.	Satis.	
16. Firm commitment letter(s) for any other financing sources.	Satis.	
17. Updated sources and uses of funds.	Satis.	

## COMPLETENESS AND ISSUES CHECKLIST

FINAL REVIEW	STATUS	NOTE
REQUIRED ITEMS:	Satis. / Unsatis.	
18. Draft construction draw schedule showing sources of funds during each month of the construction and lease-up period.	Satis.	
19. Fifteen-year income, expense, and occupancy projection.	Satis.	
20. Executed general construction contract with "not to exceed" costs.	Satis.	
21. HC ONLY: 35% of the total equity to be provided prior to or simultaneously with the closing of the construction financing.	Satis.	
22. Any additional items required by the credit underwriter.	Unsat.	

8/14/03

1. Satisfactory receipt of banking references for the Developer and General Contractor will be required prior to closing the RRLP loan.
2. Satisfactory receipt and review of a valid Florida Architect License for Kadushin Associates Architects Planners, Inc. prior to closing the RRLP loan.
3. Satisfactory receipt of a certificate of good standing for the Applicant prior to closing the RRLP loan.

### NOTES AND DEVELOPER RESPONSES:

Notes:

Applicant's Response: